

Current Support Brief

ABRASIVES AND THE SOVIET SHOPPING LIST



CIA/RR CB 63-95

27 November 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

NO FOREIGN DISSEM
CONFIDENTIAL

GROUP 1
Excluded from automatic
downgrading and
declassification

W A R N I N G

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

ABRASIVES AND THE SOVIET SHOPPING LIST

The current Soviet attempt to purchase abrasive wheels and sticks adds another item to the growing Soviet shopping list for US capital goods. The inquiry possibly also provides another example of Soviet efforts to probe the US policy on export licensing. Soviet trade officials appear to sense -- as demonstrated by approvals of export licenses during the past 6 months -- a more favorable climate for trade and appear to be pushing for greater liberalization of US export policy. In this context, US approval of sales of abrasives might assume a significance larger than the dollar value involved.

In this instance a Soviet company has offered to buy from a US company more than \$3 million of abrasive products. The Soviet order is composed largely of very fine-grain types of abrasive products that are in short supply in the USSR and normally are used in manufacturing bearings and instruments. If concluded, the sale would exceed the value of total Soviet imports of abrasives in 1962.

Although none of the abrasive products that the USSR wishes to purchase is on the international embargo list of the Coordinating Committee of the Paris Consultative Group (COCOM) and although the possible Soviet use of these goods in strategic production cannot be determined fully, the purchase faces formidable barriers, including US export controls and the inhibitions that such controls impose on some members of the US business community.

1. Background

In June 1963 the US-based AMTORG Trading Corporation expressed an interest in purchasing a large number of abrasive wheels and sticks for its Soviet principal, V/O STANKOIMPORT, the Soviet foreign trade agency for metalworking machinery and equipment, instruments, bearings, abrasives, and associated equipment. In the inquiry, conveyed in a letter to the Norton Company of Worcester, Massachusetts, 1/ one of the largest US producers of abrasive products, an official of AMTORG included a detailed list of types totaling more than 1.3 million units that the USSR wished to purchase. Delivery was requested in 1964. Although a preliminary estimate indicated that the order might be valued at as high

as \$20 million, a closer study of the specifications by a qualified US technician suggests a price tag of about \$3 million.

A preliminary analysis of the specifications of the products in the AMTORG list indicates that most of the 1.3 million units are suitable for the internal grinding of bores of 2 inches or less in diameter and that 25 percent are suitable for bores in miniature bearings (bores up to 0.5 inches in diameter). Nearly all of the types ordered would be appropriate for use in the output of bearings, instruments, and other precision products. Only limited quantities of some type-sizes are desired, suggesting that the USSR wants to compare these US abrasive products with the Soviet counterparts.

The specifications show a clearcut emphasis on finishing wheels rather than wheels for roughing or medium-finish work. In this respect the order appears to reflect insufficient Soviet output of types that require a higher measure of technology. This conclusion is supported by two Soviet technical monographs, published in August 1963, that discussed shortcomings in the Soviet abrasive industry. 2/ The monographs state that present equipment is too large for efficient use in making small grinding wheels and stress that production of mounted wheels represents only 75 percent of requirements. Many of the small sizes of wheels in the AMTORG order can be used for the same purpose as the mounted wheels.

2. Export Controls

The Norton Company informed AMTORG in July that it "probably could not obtain an export license," and after more than 4 months the Norton Company still has not completed its pricing of the proposed shipment. However, some of the desired units were described in terms of specifications no longer used by the Norton Company, and some of the type numbers are those of other US companies. The Norton Company, probably interested in the reaction of US policymakers, has not yet applied formally for an export license.

Although none of the products that the USSR has expressed an interest in purchasing from the Norton Company is on the international embargo list maintained by COCOM, the US unilaterally has applied controls to these items.

3. Motivations

The Soviet offer to purchase abrasive products indicates that the USSR recognizes both the high quality of the Norton products and the likelihood that no other single producer in the Free World could supply all of the desired types and quantities to meet Soviet delivery dates. But questions of quantity, quality, and early delivery may be less important as motives than the Soviet desire to probe the US policy on export licensing because the USSR could obtain nearly comparable products -- possibly at a better price -- from companies in Canada and Western Europe.

4. Foreign Trade

Increased Soviet demand for abrasives is reflected in Soviet imports during 1961-62. 3/ In 1962 the USSR imported abrasive grains and products valued at about \$2.7 million, an increase of about 27 percent above the value of such imports in 1961. East Germany and Czechoslovakia supplied about two-thirds of Soviet import requirements for abrasives during 1961-62. The most important Free World supplier of abrasive products to the USSR in 1962 probably was Canada, which shipped abrasive wheels and stones valued at about \$117,000. The known suppliers and the value of their deliveries of abrasives to the USSR during 1961-62 are shown in the following tabulation (in thousand US dollars):

	<u>1961</u>	<u>1962</u>
Total	2,103	2,664
Of which:		
East Germany	977	1,222
Czechoslovakia	400	609
Canada		117

In addition to the above imports the USSR probably imported abrasive grains and products during 1962 from one or two other countries of the Free World and from North Korea.

C-O-N-F-I-D-E-N-T-I-A-L

5. The Market Place, US and USSR

Within the last 6 months, increasing numbers of licenses have been granted to US companies to export equipment to the USSR, including an order for potash mining equipment and equipment and technology for production and use of synthetic fibers and fertilizers. Reports from Moscow indicate favorable Soviet comment on these sales. Soviet requests for licenses to import US transfer lines and various other production equipment in 1961 were refused. Soviet officials could interpret approval of the sale of abrasives as an indication that the US policy on export control is becoming more lenient.

It is not yet clear whether the Soviet drive to increase imports of machinery from the Free World will be dampened by recent and proposed purchases of grain. News dispatches already have reported cutbacks in Soviet orders for textile and shoe-manufacturing machinery from Western European suppliers, the implication being that the USSR must husband its reserves of foreign exchange. Soviet inquiries to US companies, however, have been confined largely to the technology and equipment for chemicals and fertilizers, areas that probably will retain a high priority in Soviet economic planning.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

Analyst:

Coord:

25X1A

Sources:

1. Business correspondence:
Letter from AMTORG Trading Corporation to Norton International, Inc., 7 Jun 63, and attachment of product list and specifications. U.
Interoffice memorandum of Norton Co., 11 Jun 63. U.
Letter from Norton International, Inc., to US Department of Commerce, 30 Jul 63. U.
2. JPRS. No 21,354, USSR Abrasives Production, 8 Oct 63, p. 4-7. U.
JPRS. No 21,354, Poor Quality of Abrasive Machines, 8 Oct 63, p. 9-12. U.
3. USSR, Ministry of Foreign Trade. Vneshnyaya trgovlya Soyuza SSR za 1962 god: statisticheskiy obzor (Foreign Trade of the USSR in 1962: a Statistical Survey), Moscow, 1963. U.

C-O-N-F-I-D-E-N-T-I-A-L

Approved For Release 2000/06/01 : CIA-RDP79T01003A001800130004-4
CONFIDENTIAL
NO FOREIGN DISSEM

CONFIDENTIAL
NO FOREIGN DISSEM
Approved For Release 2000/06/01 : CIA-RDP79T01003A001800130004-4